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PUBLIC HEARING MINUTES
Proposed Adjustments to Sewer User Fees
Thursday, May 19, 2011, 6:00 p.m.
Warwick City Hall Council Chambers
3275 Post Road, Warwick, RI

At 6:00 p.m., Warwick Sewer Authority (WSA) legal counsel and meeting moderator John Revens opened the public hearing by introducing those in attendance:

Board Members in attendance:	Board Members not present:
Steven Sylven, P.E.	Fred Sullivan, Chairman
Gary Jarvis	Aaron Guckian, Secretary
Peter Ginaitt	
	Guests:
	Dave Bebyn, B & E Consulting, LLC
Staff present:	
Janine L. Burke, Executive Director	Lynda Ortiz, Customer Service Manager
Lynn F. Owens, Administrative Coordinator	Patrick Doyle, Assistant Superintendent
William Miranda, Admin. Technician	

Director Burke presented a PowerPoint outlining the details of the revised rate study conducted by Dave Bebyn, CPA, B & E Consulting, LLC, including:

- Key factors driving up expenses for WSA and wastewater utilities nationwide
- Treatment facility changes in the past decade
- Trends in major WSA expenses
- Trends in flows and customers
- Infrastructure expenses
- Purpose of rate study
- History of WSA service charges and use charges
- Impact on average annual sewer usage bills

Director Burke detailed the results of the rate study:

- Increase revenue from sewer usage and service charges:
 - 5% in FY2012
 - 16% in FY2013 (to pay for RIDEM mandated plant upgrades)
 - 6% in FY2014

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- 0.6% in FY2015
 - 0% in FY2016
- Restructure rates to provide more equity between residential and commercial users
- Add Renewal & Replacement charge
- Repay debt to City's General Fund (estimated at approximately \$7 Million) by FY2016
- Begin to accumulate debt service and capital reserves to reduce the future impact on rates
- Consider Connect Capable Fee to further reduce impacts on existing customers (3,100 customers are currently not supporting the sewer system)
- Review annually to ensure accuracy

Director Burke stated although B&E has provided several options in its final report, WSA has chosen to focus on the ones that can be implemented by the Board. She stated note that the percentage increases shown are for revenue requirements; they are not the same as the rate increases required to generate those revenues. As a result of increasing revenue from other sources over the 5-year period of study, the impact on the rates in FY2013 is about 13.5%.

Director Burke stated that, as opposed to past years when WSA made across-the-board increases, this study looked at the costs of collection and treatment services and assigned those costs to the appropriate customer classes and whether they related to usage or fixed service-related charges.

The PowerPoint presentation is part of the permanent record.

Mr. Dave Bebyn reviewed the May 2011 rate study and highlighted changes made since the last study (2008). He stated of significant note is the reduction in consumption in FY 2010 which generated a shortfall (\$2 million) in anticipated revenues. Mr. Bebyn said he revised the August 2010 rate study following the September 9, 2010 public hearing to phase in the proposed adjustments to rates over a longer time period as requested by the Board.

Following Mr. Bebyn's review of the May 2011 study, the moderator opened the floor to questions and comments.

Dr. David Ferris, representing the Central Rhode Island Chamber of Commerce, presented a written statement from the Chamber. The document is part of the permanent record. Additional comments included:

- Commended the Authority for taking this issue on; debt service must be addressed
- Plan is too aggressive at this time; extend over longer period (7-8 years)
- Address continued inequity for those with larger meter sizes (flatten rates for business community)
- Supports the connect capable fee; appropriate for all to support WSA and good for the environment

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Mr. Roy Dempsey, 4 Killdeer Road, Warwick, asked if WSA knows what the lost revenues are due to the flood. He asked what is being done to strengthen the levee to protect WSA from future flooding. He asked if the \$16 million upgrade had been included in the projection. Mr. Bebyn confirmed that the facility upgrade has been factored in to the study. Mr. Dempsey asked why WSA did not fight DEM's mandate to upgrade the facility.

Mr. Revens reminded attendees that the focus of tonight's meeting is to review the rate study.

Mr. Dempsey asked if the debt has been restructured or is that being considered. Mr. Bebyn stated WSA has not restructured its debt; part of the debt is city bonds that the city would have to renegotiate. He stated the WSA revenue bonds are already at a favorable subsidized rate through RI Clean Water Finance Agency. Director Burke stated the City is in the process of refinancing its bond debt. Mr. Dempsey asked if any consideration has been given to working with the other plants along the Pawtuxet.

Mr. Roger Durand, 60 Black Creek Lane, Warwick, expressed concern about residents being able to afford proposed increases in taxes and sewer charges. Referring to Schedule E-3 of the May 2011 rate study, he asked if a 14.59% increase for residential users is reasonable. Mr. Durand asked if this study considers the repayment of \$10 million in construction costs not covered by the assessment rate. Mr. Bebyn stated essentially that is being recouped in the usage fees. Mr. Durand asked how much will the average customer pay towards the repayment of that \$10 million. He asked how much is the repayment to the City (\$7 million) costing the average ratepayer. Mr. Durand asked that the WSA get him this information. He asked that the WSA be more realistic in setting its rates.

Mr. Eugene Nadeau, 15 Killdeer Road, Warwick, objected to the connect capable fee and the connection order for property owners in the Governor Francis Phase II project area. He stated the flood forced tens of millions of gallons of raw sewage into the Pawtuxet River and neighboring areas; homes in his area do not pollute the bay. He appealed to the City Council to not allow WSA to identify a connect capable fee.

Mr. Richard Langseth, 170 Budlong Farm Road, Warwick, asked about the "sewer assessment contribution" listed in the rate study (\$6 million). Mr. Bebyn stated essentially the sewer assessments pay for the principal on the bonds associated with sewer assessment projects, and explained the standard accounting practice used in his study. Mr. Langseth stated this can be used as a basis to look at the bond covenant agreements. Mr. Bebyn stated the City's Finance Department addresses the bond covenant annually. Mr. Langseth stated WSA should examine the bond covenant before it makes its final determination on the rates. Mr. Bebyn stated the structure of Clean Water Finance covenants is such that WSA clearly meets their calculations for Clean Water funding.

Mr. Langseth asked Mr. Bebyn to explain the methodology used in this rate study. Mr. Langseth asked if WSA has fully validated the cost of the flood. Mr. Langseth questioned the facilities upgrades required for the RIDEM phosphorous project and

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encouraged WSA to litigate RIDEM as the cost of the project is ridiculous compared to the environmental benefits. He encouraged WSA to fix the levee now.

Mr. John M. Kennedy, 44 Jefferson Street, Warwick, objected to the proposal calling for sewer charges on 100% of water consumption; he will be paying for something he is not using. He pointed out that Cranston privatized its treatment facility in 1997 and is able to charge an annual flat rate of \$394 for a single family home. He said he is totally against the rate increases and suggested WSA look at its sister city and use their standards. Mr. Revens stated a deduct meter can be used to factor out water used but not returned to the WSA for treatment (Mr. Kennedy was given a copy of the Warwick Water Division deduct meter policy). Mr. Kennedy stated WSA should be run like a business; when revenues are down, you must cut expenses, not raise rates.

Director Burke invited Mr. Kennedy to tour the WSA to see the state of the art facility in order to appreciate where the money is going.

Mr. Bob Cushman, 307 Columbia Avenue, Warwick, stated he had problems with past rate studies because he didn't think the expenses were realistic. Mr. Revens stated we wouldn't be here tonight if revenue was in line with expenses. Mr. Cushman said the personnel cost projections in this study are too low, making the model deficient. Mr. Bebyn stated his model looks at specific cost centers directly related to usage; consumption is the driving factor in this study. He said previous rate studies realized a shortfall due to decreases in consumption. Director Burke stated it is the intent of the Board to look at the numbers at the end of each year and adjust them accordingly based on actual expenses.

Mr. Cushman asked if WSA will build a reserve fund, and if so, will it be an unrestricted fund account. Director Burke stated the account hasn't been set up yet, but expected that it would be restricted to fund specific line items. Mr. Cushman asked if WSA has legal authority to control personnel costs. Director Burke stated employee benefits and salaries are contractual. Mr. Cushman asked if retirees' costs are included in the personnel numbers. Director Burke said she needed to consult with the Finance Office and would respond to Mr. Cushman directly.

Mr. Robert Cote, 74 Janet Court, Warwick, expressed his concern about rising taxes and charges in the City of Warwick. He stated contrary to what people might think, he had a lot of respect for WSA and faith that you are doing the right thing. Mr. Cote said the amount of influent is going down due to conservation, which means less revenue. He asked why is there a built in pay raise over the next several years. He said it's not sustainable.

Mr. Cote asked about the sick leave budget line item and the overtime line item. He asked if it made more sense to bring on another employee. Mr. Cote suggested WSA use the actual connection numbers from last year rather than speculating on projected connection numbers for coming years. Director Burke stated that using the past years' numbers was not realistic for permits. She said we have two new projects opening up this year and that she was very comfortable with the projected number of connections being used in the Rate Study. Mr. Bebyn stated these projections will be reviewed on

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an annual basis. Mr. Cote asked if a determination was made on the cause of the Cedar Swamp collapse. Director Burke offered to speak directly with Mr. Cote about the emergency line break at Cedar Swamp. Mr. Cote asked if WSA has preventative measures in place now. Director Burke stated the pipes have been slip lined, manholes epoxy coated, and improvements are being made to the station's ventilation system.

Mr. Cote asked WSA to consider the unintended consequences of raising rates by 14%. He suggested WSA collect feedback from its customers on the impact of proposed changes, and include that feedback in the rate study.

Attorney Revens welcomed Councilwoman Camille Vella-Wilkinson.

This public hearing concluded at 8:10 p.m.

Aaron Guckian, Secretary

Approval date

Encl. May 2011 Rate Study
WSA PowerPoint
Central RI Chamber of Commerce comments